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C O N F I D E N T I A L SECTION 01 OF 02 NEW DELHI 008255

SIPDIS

STATE FOR SA/INS

E.O. 12958: DECL: 10/24/2015

TAGS: PREL ECON MARR MASS IN

SUBJECT: U/S BURNS MEETS AMCHAM (INDIA) ON DEFENSE SALES

OBSTACLES

Classified By: AMBASSADOR DAVID C. MULFORD FOR REASONS 1.4 (B, D)

**¶1.** (C) Warning, Contains Business Proprietary Information.  
Please protect accordingly.

**¶2.** (C) SUMMARY: In U/S Burns' meeting with AMCHAM (India) on October 22, U.S. defense company representatives suggested that there needs to be a breakthrough in the U.S. procurement cycle and sales approach starting from the top down to change -- in a more sales-oriented fashion -- the USG licensing and technology information procedures related to defense sales to India. "Pentagon officials tell us they still have not seen any new directives that change the previous approval policy and procedure," the representatives said. They underscored some incompatibilities in U.S. approval and Indian procurement regulations, and said there is a need to sensitize GOI officials to life-cycle cost evaluations and offset procedures. END SUMMARY.

**¶3.** (C) U/S Nicholas Burns met with AMCHAM (India) members from defense-related companies to discuss U.S. defense sales to India, following a brief tour of the Convergys call-center operations in Gurgaon outside of New Delhi. U/S Burns noted: converging U.S.-India bilateral interests and views of global problems; strong U.S. bi-partisan support for stronger U.S.-India relations; USG confidence that over the next 25 years India will emerge as one of the three or four most important countries for U.S. interests; and USG efforts to reduce barriers to trade and investment in India, which has enormous potential.

**¶4.** (C) Ambassador Mulford expressed strong concern that the USG commitment to military sales to India is weak and that, as a result, we are failing to grasp huge opportunities to sell military equipment. U/S Burns agreed that in our engagement with India, we urgently need to de-bureaucratize the approval process and beef up our marketing and sales efforts.

**¶5.** (C) SPEED OF LICENSING AND TECHNOLOGY RELEASE PROCEDURES: AMCHAM representatives reported that U.S. defense companies are not getting a large share of India's annual USD 5 billion defense procurement budget, due in part to licensing issues. Boeing's representative said that, although U.S. defense companies are excited about the new developments U.S. India relations, there is a disconnect between USG defense sales policy pronouncements and USG implementation of sales policy.

Companies have not yet seen any significant day-to-day changes in procedures for export licensing and technology release. Companies are concerned they will not see new USG licensing regulations before the February 2006 window of opportunity closes for India's annual defense procurement cycle. Concerning U.S. technology release, platforms might be approved, but there are often problems with approving parts of the platform, such as radar and computer systems technology. U.S. companies are thereby disadvantaged in responding to GOI deadlines on requests for proposals (RFP). U/S Burns responded they were right to raise these issues, noting that the USG is very protective of U.S. technology and is even tough on the UK and other NATO allies in licensing sales of defense technology.

**¶6.** (C) USG SALES APPROVING AUTHORITIES: The Lockheed Martin representative noted that U.S. Lt Gen Kohler is doing a good job of trying to expedite approval of defense sales to India, but suggested he needed stronger and more positive bureaucratic support from DOD and the State Department. U/S Burns noted the recent appointment of U/S Eric Edelman, who will be leading the defense sales talks with GOI together with a new U/S of Defense.

**¶7.** (C) GOI EVALUATION OF COSTS: The GE representative suggested the need for increased USG and company efforts to educate the Indian military establishment regarding procedures and regulations related to military sales. When evaluating costs of defense systems alternatives, the Indian military is more accustomed to Russian technology and tends to focus solely on installed costs, rather than on 20-30 year life-cycle costs. He proposed more extensive briefings for the GOI on ways of evaluating costs of competing systems and on influencing Indian Requests For Proposals to better reflect life-cycle costing issues.

**¶18. (C) OFFSETS:** The Raytheon representative said the Indian side in general did not understand U.S. procedures for "offsets" for military sales. How can we, on an industry-wide basis, educate the Indian military on offsets and get more of their military sales decision makers to the United States to help them better understand? Ambassador Mulford noted Embassy discussions with the GOI Ministry of External Affairs (MEA) on how to better educate the GOI on offset procedures for purchasing U.S. defense systems. The Ambassador further suggested that other avenues for promoting change be explored that do not represent simply the narrow commercial interests of any particular company. U/S Burns argued that offsets play a crucial role in winning defense contracts and promised to take a fresh look at ways to enhance our competitiveness through improved sales efforts and strategic offset packages.

**¶19. (C) GOI CONCERNS ABOUT USG RELIABILITY:** Bell Helicopter representative said many GOI officials dealing with helicopter procurement remain doubtful about the United States as a long term supplier, given the past history of sanctions. Many GOI counterparts express concern that if they buy from a U.S. company, the political winds may change and leave them without needed support and replacement supplies. U/S Burns underscored the depth of bi-partisan support for the strategic improvement of U.S.-Indian relations -- in the U.S. Congress and the Bush administration, as well as during the last few years of the former Clinton administration -- as evidence that this policy will continue irrespective of the U.S. political make-up after the 2008 elections.

**¶10. (C) USG and GOI PROCEDURAL COMPATIBILITY:** Bell Helicopter said there is a lack of U.S. sensitivity to Indian procurement procedures and compatibility with USG Foreign Military Sales requirements. For example, when U.S. companies, complying with USG procedures, ask the Indian side for a "Letter of Request" (LOR), the Indians are put in a difficult position in that GOI procedure (apparently) obligates them to send out any such request for proposals or information to all potential suppliers.

**¶11. (SBU) USG Participants:**

-- U/S Nicholas Burns  
-- Ambassador David C. Mulford  
-- John Rood, Senior Director, NSC  
-- Don Camp, DAS, South Asia Bureau  
-- Tobin Bradley, P Special Assistant  
-- Lee Brudvig, Economic Counselor, USEmbassy  
-- Notetaker: Eric Anthony Jones, USEmbassy, ECON

**AMCHAM-India Participants:**

-- Amrit Kiran Singh, AMCHAM (India) Chairman; Area Director, Brown-Forman  
-- Ramesh Baijpal, AMCHAM (India)  
-- B.S. Singh Deo, Bell Helicopter India, Director  
-- Sanjeev Kakkar, GE Aviation, Director Military Sales  
-- Anil Shrikhande, Boeing, Managing Director  
-- Dr. Vivek Lall, Boeing-India, Managing Director, Commercial Airplanes  
-- Srinivas Duuvvuri, Pratt & Whitney, UTIC, South Asia Area Director  
-- Royce L. Caplinder, Lockheed Martin (India), Managing Director  
-- Prachees Mathur, Raytheon International, Managing Director  
-- Mike Jackson, Convergys India Services, Vice President and Country Director

**¶12. (SBU) U/S Burns' delegation did not review this cable for clearance.**

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